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TAGS: [PGOV](#) [PREL](#) [EINV](#) [ASEAN](#) [ID](#) [RS](#)
SUBJECT: PUTIN'S INDONESIA TRIP EXPANDS RUSSIAN ECONOMIC
TIES WITH SOUTHEAST ASIA

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Classified By: Pol M/C Alice D. Wells for reasons 1.4 (b/d).

11. (C) Summary: Russian President Putin's September 6 visit to Indonesia is indicative of the Russian goal of expanding economic ties with Southeast Asia through key industries -- energy and military -- considered crucial both to Russian economic growth and to exerting influence abroad. The presidential visit included the signing of agreements for Russian companies to invest \$4 billion in Indonesian energy and mining projects and an arms deal worth \$1 billion. The prospect of a future sale of a Russian nuclear reactor to Indonesia was also held out. Putin's visit, which was light on political agreements but heavy on trade and investment, is a likely blueprint for Russian diplomatic activity in SE Asia. End summary.

Trade and Investment the Russian Goal in SE Asia

12. (C) President Putin's one-day visit to Indonesia provided Russia with an opportunity to further its economic relationship with SE Asia, which is the GOR's priority in the region, according to Dimitry Lukiyantsev of the MFA Department of ASEAN and Asia Pacific Regional Affairs. Lukiyantsev characterized the Indonesian visit as part of the larger GOR goal of expanding the economic side of Russian foreign policy. During the September 6 visit, Putin signed agreements to sell \$1 billion in arms to Indonesia and for Russian businesses to invest nearly \$4 billion in Indonesian energy and mining projects (reftel). While Indonesia did not purchase a Russian nuclear reactor, reports suggest that such a deal may be made in the future.

Increasing Bilateral Economic Ties

13. (C) The Russian-Indonesian relationship is largely economic, meeting both the Russian goal of increasing its foreign investments and the Indonesian goal of attracting investors, explained Indonesian Political Counselor J.B. Widodo. Putin's visit was the latest step in a reinvigorated relationship that began in 2003 with the visit of Indonesian President Sukarnoputri to Moscow. In 2004, the Russian-Indonesian Joint Commission on Economic and Technical Cooperation began meeting annually and became the focus of the bilateral relationship and laid the groundwork for the agreements signed in Jakarta. While Russian investment in Indonesia is good for both sides, Widodo argued that the growing economic relationship was weighted in Russia's favor, with Indonesia and other SE Asian countries typically consumers of Russian products.

GOR Interest in SE Asia: "Russia Wants to Sell Us Something"

14. (C) The one-way nature of Russian economic expansion in SE Asia was highlighted by Singapore DCM Christopher Cheang, who told us Russia "really wants to sell us something" and was less interested in genuinely assisting regional development. Cheang explained that the GOR had talked for years about an assistance program for SE Asia and established the ASEAN-Russian Cooperation Fund, but had left the mechanism unfunded. Only in August, during the ASEAN Regional Forum meeting in Manila, did the GOR contribute an unimpressive \$500,000 to the fund. SE Asian diplomats told us that instead of demonstrating concern for the region, the GOR had used meetings with ASEAN to present sales pitches for Russian products. Both Cheang and Indonesian DCM Widodo related that during a July meeting of the ASEAN-Russian Joint Working Group on Science and Technology in Moscow, Russian diplomats turned the floor over to representatives of Russian companies who tried to sell high technology products that few ASEAN nations need or can afford. (Note: Singapore has played a key advisory role in the development of Russian Special Economic Zones that could help SE Asian businesses become more active in the Russian market should the zones become operational. End note.)

Russian Ties With SE Asia Still at a "Low Level"

15. (C) While SE Asian diplomats offered mild criticism of Russian engagement in the region, the MFA's Lukiyantsev cited FM Lavrov's high-profile role at the August 1-2 ASEAN Regional Forum as an indicator of the importance the GOR places on improving ties with the region, which are acknowledged to be underdeveloped. Russia currently has a "low level" relationship with the region and still has work to do, offered Gennady Chufrin, Deputy Director of the

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Institute of World Economy and International Relations, a think tank linked closely with the MFA. Russian trade with the region is minimal, about \$4 to 5 billion a year, and limited largely to selling arms. The analyst cited the \$1 billion loan the GOR has extended to Indonesia, as part of the arms deal signed by Putin, as evidence of Russian dependence on military sales. A real "breakthrough" would be for Russia to sell civilian nuclear technology to Indonesia and open a new avenue for Russian economic engagement in SE Asia, Chufrin told us.

Comment

16. (C) Putin's Indonesia trip confirms what diplomats and analysts have been telling us about Russia's economic intentions in SE Asia. Trade and investment appear to drive a Russian policy that has minimal involvement in regional politics or development issues. Russia is likely to intensify its economic activity in the region and capitalize on the interest of several Asian countries to turn to nuclear power to meet their energy needs.

Burns